SUPER-PRIME LONDON INSIGHT

SPRING | 2016

Despite a fall in the number of super-prime deals in 2015, a sense of momentum is returning to the market, as Tim Wright, Richard Cutt and Daniel Daggers explain to Tom Bill

The number of super-prime (£10 million-plus) property transactions in London fell by a third in 2015 as the impact of a stamp duty increase at the end of 2014 made buyers more price-sensitive.

However, there are indications vendors have started to factor in higher transaction costs and the annual decline was accentuated by a series of deals before the new rates came into effect on 4 December 2014. The number of Knight Frank super-prime transactions fell 16% over the same period.

The stamp duty increase meant the transaction tax on a £10 million property rose to £1.1 million from £700,000, or an additional 4% of the sale price. The 2014 reform is likely to be followed in April 2016 by a further three percentage point increase for buy-to-let properties and second homes.

Despite the resulting slowdown in activity, there are signs the market has begun to absorb the 2014 changes and asking prices that increasingly reflect the more subdued state of demand have ended the stand-off between buyers and sellers.

"To some extent buyers and sellers have become tired of the inaction," said Tim Wright. "As asking prices become more realistic, buyers have seen the market is flat rather than falling off a cliff and are therefore encouraged to act"

"The market needed to correct," said Daniel Daggers. "However, that's not to say it's ready for take-off. The overriding mood is one of caution but at the right price demand is strong and momentum is returning."

Annual price growth in the super-prime market remains subdued, standing at 0.5% in December after a marked slowdown in recent years, as figure 3 shows.

However, the safe haven appeal of prime central London property continued to support demand in a year marked by economic volatility centred on events in China and geopolitical concerns around the world.

"The wealth preservation appeal of prime London property among UK and overseas buyers remains significant, most recently against the backdrop of falling commodity prices," said Richard Cutt.

There were mixed fortunes for London's different prime central London markets in 2015, as the map in figure 1 shows.

The blue areas indicate where fewer sales took place compared to 2014 and the red areas show a higher number.

Kensington and Mayfair continued their upwards trajectory in 2015, which is underlined by figure 4. Both areas grew their super-prime market share and Kensington was the largest super-prime market in 2015.

"It was becoming obvious by the beginning of 2015 that Kensington was looking very good value in comparison with other prime central London locations, which is surprising given the obvious benefits of living there," said Tim. "I think it remains under-priced."

Meanwhile, Mayfair has benefitted from a high-quality development pipeline. "These developments are some of the very best residential schemes in London and continue to fuel Mayfair's return to the top of the list of most desirable addresses in London," said Richard.

The high-quality of London's super-prime pipeline is evident in the growing share of new-build deals done above £10 million, which has gone from a fifth in 2012 to over a third in 2015, as figure 2 shows.

3 Queen's Ride, Barnes

Prime Central London Team

Tim Wright and Richard Cutt launched Knight Frank's Prime Central London Team in 2012. Both proprietary partners, Tim and Richard have nearly 50 years unrivalled experience between them in the prime central London market. In May 2015 the team expanded when Daniel Daggers joined from the St John's Wood office. Daniel, a partner, is one of Knight Frank's most talented and successful deal makers. The Prime Central London Team is based at Knight Frank's global headquarters in Baker Street and purely focuses on the property requirements of ultra-high net worth individuals in the super-prime (£10 million-plus) market.

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FIGURE 1
Super-prime map of London

The map shows the location of £10 million-plus transactions in 2014 and 2015. Sales are grouped at the centre of the respective postcode sector.

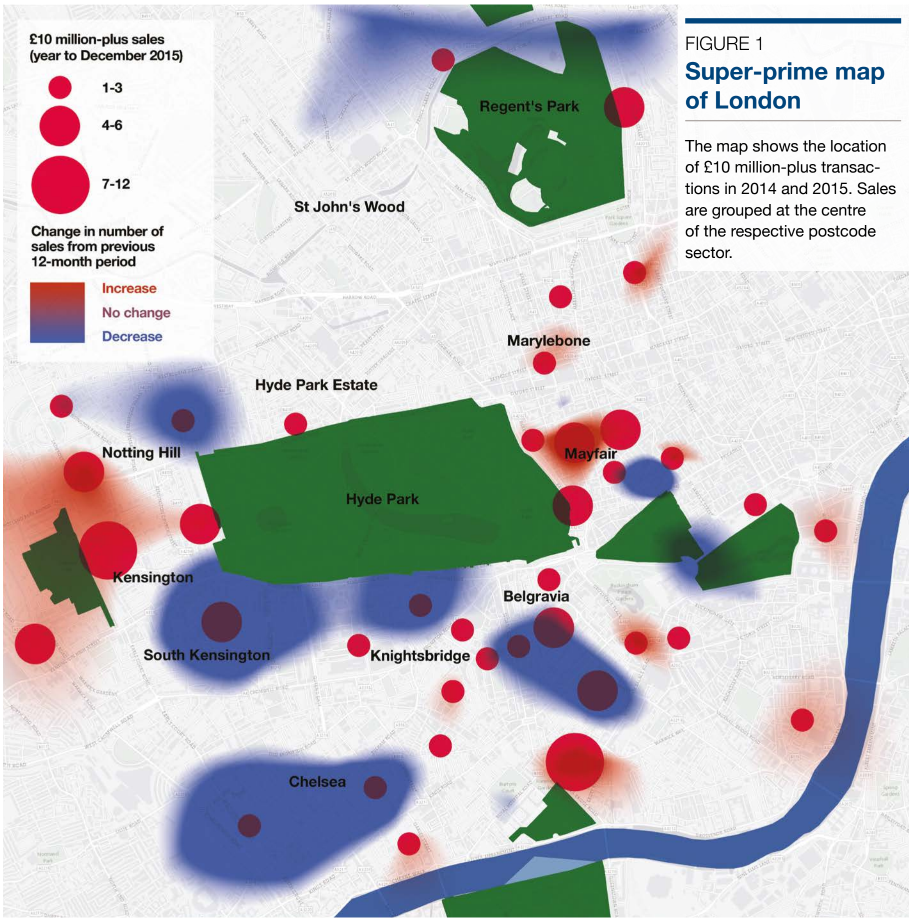
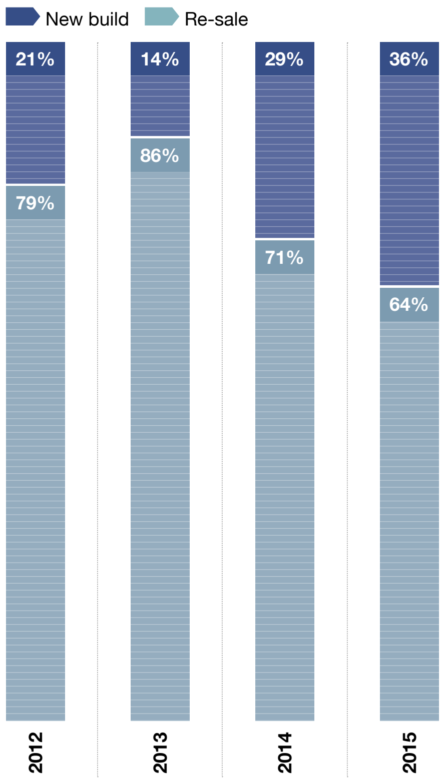


FIGURE 2
The growth of super-prime new-build

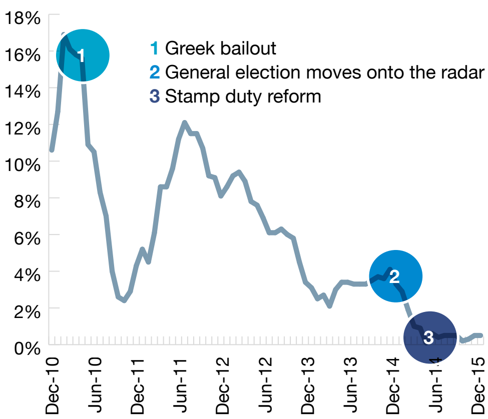
Percentage of new-build vs re-sale transactions



Source: Knight Frank Research

FIGURE 3
The super-prime price slowdown

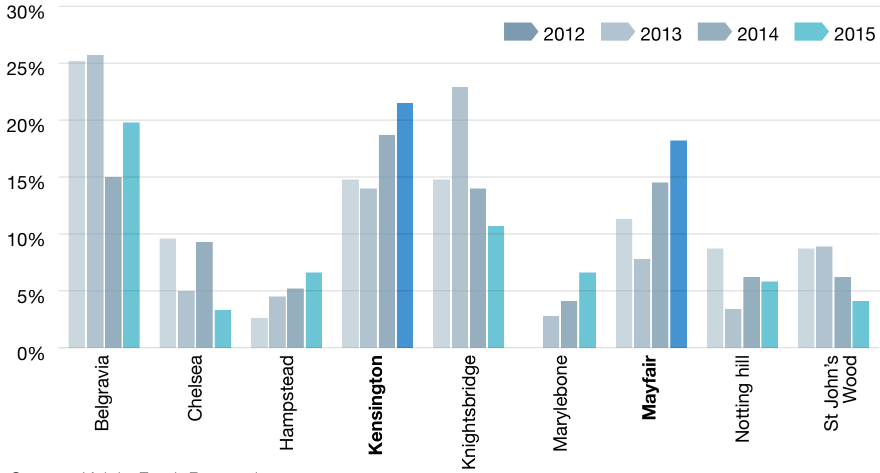
Annual growth in £10million-plus prices



Source: Knight Frank Research

FIGURE 4
The ascendancy of Kensington and Mayfair

Percentage of £10 million-plus deals by area



Source: Knight Frank Research

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